

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10  
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11  
HA-05 EUR-12 ACDA-12 EB-08 TRSE-00 OMB-01 COME-00  
NRC-05 AGRE-00 IO-13 DOE-15 SOE-02 MCT-01 /142 W  
-----082510 112206Z /10

R 102120Z JUL 78

FM AMEMBASSY MEXICO  
TO SECSTATE WASHDC 1292  
ALL USCONS MEXICO POUCH

C O N F I D E N T I A L SECTION 1 OF 3 MEXICO 11221

E. O. 11652: GDS

TAGS: PINT, PEPR, ECON, ELAB, MX

SUBJECT: BIMONTHLY REVIEW, MAY AND JUNE 1978

1. SUMMARY: IN EARLY MAY SECRETARY VANCE VISITED MEXICO TO MEET WITH PRESIDENT LOPEZ PORTILLO (JLP) AND SECRETARY ROEL TO DISCUSS BILATERAL AND MULTILATERAL ISSUES UNDER THE AUSPICES OF THE CONSULTATIVE MECHANISM. JLP MADE A SUCCESSFUL VISIT TO THE SOVIET UNION AND BULGARIA, WHICH WAS HIGHLIGHTED BY SOVIET ADHERENCE TO PROTOCOL II OF THE TREATY OF TLATELOLCO. HE ALSO VISITED PANAMA FOR THE RATIFICATION OF THE PANAMA CANAL TREATIES. MEXICO ADOPTED SUPPORTIVE POSITIONS ON HUMAN RIGHTS, EFFORTS TO REASSESS THE ROLE OF THE OAS, AND CONVENTIONAL ARMS RESTRAINT AT THE OAS GENERAL ASSEMBLY, IN ADDITION TO PLAYING A CONSTRUCTIVE ROLE AT THE SSOD. ON THE FINANCIAL FRONT THE GOM RAISED ITS PROJECTIONS FOR REAL GROWTH IN 1978 FROM FIVE TO SEVEN PERCENT, WHILE EXPECTING TO HOLD INFLATION TO 15 PERCENT. JORGE ROJO LUGO WAS REPLACED BY ANTONIO TOLEDO CORRO AS SECRETARY OF AGRARIAN REFORM, WHICH IS EXPECTED TO ACCELERATE FOCUS ON PRODUCTIVITY RATHER THAN REDISTRIBUTION OF LAND. CARLOS SANORES PEREZ APPEARS TO HAVE THE PRESIDENT'S SUPPORT TO CONTINUE AS HEAD OF THE

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PRI. END SUMMARY.

2. THE REPORTING PERIOD OPENED WITH A THREE DAY VISIT TO MEXICO BY SECRETARY VANCE. THE VISIT WAS PART OF THE ONGOING CONSULTATIVE MECHANISM ESTABLISHED BETWEEN THE TWO COUNTRIES BY PRESIDENTS CARTER AND LOPEZ PORTILLO LAST YEAR. BILATERAL ISSUES, INCLUDING UNDOCUMENTED WORKERS

AND TRADE ISSUES, WERE DISCUSSED BY THE CONSULTATIVE MECHANISM SUB-GROUPS AND WIDE RANGING TALKS ON A VARIETY OF MULTILATERAL ISSUES WERE HELD BETWEEN THE SECRETARY AND THE MEXICAN PRESIDENT AND FOREIGN SECRETARY. DURING THE VISIT A NEW EXTRADITION TREATY AND MARITIME BOUNDARY TREATY, AS WELL AS A TOURISM AGREEMENT, WERE SIGNED.

3. A LONG TERM GOAL OF MEXICO'S FOREIGN POLICY WAS FULFILLED WHEN THE SOVIET UNION SIGNED PROTOCOL II OF THE TREATY OF TLATELOLCO, THE TREATY WHICH BANS NUCLEAR WEAPONS FROM LATIN AMERICA. ALTHOUGH THE SOVIET ANNOUNCEMENT THAT THEY WOULD SIGN THE TREATY CAME A FEW DAYS BEFORE THE TRIP, THE SIGNING DEFINITELY HAD TO BE SEEN IN THE CONTEXT OF PRESIDENT JOSE LOPEZ PORTILLO'S VISIT TO THE SOVIET UNION IN MAY. THE SIGNING IN ITSELF GUARANTEED A SUCCESSFUL VISIT. THE MEXICANS SKILLFULLY AVOIDED SOVIET LOBBYING ATTEMPTS TO GAIN EVEN THE APPEARANCE OF MEXICAN APPROVAL FOR SOVIET PET THEMES AND INITIATIVES. LOPEZ PORTILLO ALSO VISITED BULGARIA WHERE A NUMBER OF AGRICULTURAL TECHNOLOGICAL EXCHANGES WERE SIGNED.

4. IN JUNE, LOPEZ PORTILLO JOURNEYED TO PANAMA FOR THE FORMAL RAATIFICATION CEREMONY OF THE PANAMA CANAL TREATIES. THIS WAS AN ACT OF CONSIDERABLE POLITICAL COURAGE, AS THE TREATIES ARE NOT POPULAR IN MEXICO, IN BOTH THE  
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PRIVATE AND PUBLIC SECTORS. WE BELIEVE THAT LOPEZ PORTILLO MADE THE TRIP, WHICH LASTED ONLY FIVE HOURS, TO SHOW HIS SUPPORT FOR PRESIDENT CARTER'S DIPLOMATIC MOVES TOWARD LATIN AMERICA RATHER THAN TO SHOW ANY SUPPORT FOR THE TREATIES THEMSELVES.

5. MEXICO USED THE OAS GENERAL ASSEMBLY MEETING TO REITERATE ITS DESIRE FOR BASIC STRUCTURAL REFORMS IN THAT ORGANIZATION. MEXICO ALSO UNDERLINED ITS SUPPORT FOR U. S. EFFORTS TO IMPROVE HUMAN RIGHTS CONDITIONS IN THE HEMISPHERE, AND FLOATED AT THE OAS SESSION, BUT FINALLY OUTSIDE ITS FRAMEWORK A JOINT INITIATIVE WITH VENEZUELA REGARDING CONVENTIONAL ARMS RESTRAINT IN LATIN AMERICA. ROEL'S ADDRESS TO THE OAS AND HIS INTERVENTION IN THE INFORMAL DISCUSSIONS, WHILE POINTING OUT THE DRAWBACKS OF THE OAS, WERE GENERALLY MORE UPBEAT THAN WE HAD BELIEVED HE WOULD BE.

6. THROUGH ITS ABLE PERMANENT REPRESENTATIVE AND DELEGATION AT THE UN, MEXICO PLAYED A MAJOR AND CONSTRUCTIVE ROLE AT THE SSOD. THE ACTIONS OF ITS DELEGATION WAS IN KEEPING WITH MEXICO'S TRADITIONAL ROLE IN THE DISARMAMENT

MOVEMENT.

7. AT THE END OF THE REPORTING PERIOD, FOREIGN MINISTER SANTIAGO ROEL LEFT FOR A EUROPEAN TRIP. HE REPORTEDLY WAS TO CONVERSE WITH THE BRITISH REGARDING ENERGY MATTERS AND THE BELIZE SITUATION, ATTEND A SESSION OF THE FRENCH-MEXICAN MIXED COMMISSION, AND CONDUCT A MEETING IN PARIS OF MEXICO'S EUROPEAN CHIEFS OF MISSIONS.
8. AT THE INTERNATIONAL MONETARY CONFERENCE IN MEXICO CITY IN LATE MAY, MEXICAN FINANCE MINISTER DAVID IBARRA FORECAST THAT REAL GROWTH IN THE ECONOMY WOULD REACH SEVEN

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PERCENT IN 1978. THIS IS SIGNIFICANTLY HIGHER THAN THE FIVE PERCENT RATE PREDICTED BY MOST ANALYSTS OF THE MEXICAN ECONOMY. IBARRA ALSO FORECAST A RATE OF CONSUMER INFLATION THIS YEAR OF NOT GREATER THAN 15PERCENT AS WELL AS A NEW REDUCTION IN THE CURRENT ACCOUNT DEFICIT IN THE BALANCE OF PAYMENTS.

9. IN A REPORT RELEASED BY THE BANK OF MEXICO IN JUNE, THE CUMULATIVE INCREASE THROUGH MAY FOR THE CONSUMER PRICE INDEX IS 6.7 PERCENT AND THAT FOR THE WHOLESALE PRICE INDEX IS 9.8 PERCENT. IF THE CPI CONTINUES TO RISE AT THIS RATE, THE INCREASE OVER THE COURSE OF 1978 WOULD BE ABOUT 18 PERCENT, A FIGURE THAT GOM OFFICIALS PRIVATELY ADMIT IS LIKELY, THOUGH PUBLICLY THEY CONTINUE TO TALK ABOUT A 15 PERCENT INCREASE.

10. ON MAY 10, CIPRIANO GOMEZ LARA WAS REMOVED AS EXECUTIVE SECRETARY OF THE FOREIGN INVESTMENT COMMISSION AND DIRECTOR GENERAL OF FOREIGN INVESTMENTS IN THE SECRETARIAT OF PATRIMONY AND INDUSTRIAL DEVELOPMENT. HIS REPLACEMENT IS HECTOR ALVAREZ DE LA CADENA. ALVAREZ HAS ALSO TAKEN  
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ON RESPONSIBILITIES FOR THE TRANSFER OF TECHNOLOGY. THE REPLACEMENT OF GOMEZ LARA REPRESENTS AN ATTEMPT TO BREAK THROUGH THE LOG-JAM OF FOREIGN INVESTMENT REQUESTS WHICH HAS BEEN HAMPERING THE COMMISSION.

11. ON THE AGRARIAN SCENE A CABINET SHIFT OCCURRED IN EARLY JUNE WITH JORGE ROJO LUGO LEAVING AS SECRETARY OF AGRARIAN REFORM AND BEING REPLACED BY ANTONIO TOLEDO CORRO, A BUSINESSMAN FROM SINALOA. ROJO LUGO RETURNED TO THE GOVERNORSHIP OF HIDALGO, WHICH CAN BE VIEWED AS A LATERAL MOVE FROM A HOT SPOT TO A MORE SECURE GOVERNORSHIP. TOLEDO APPEARS FULLY COMMITTED TO THE PRESIDENT'S POLICY OF ENDING LAND REDISTRICUTION BY 1982 AND REFOCUSING THE EFFORTS OF HIS SECRETARIAT ON INCREASING THE PRODUCTIVITY OF LAND. WALKING A POLITICAL TIGHTROPE, TOLEDO HOPES TO RESETTLE PEASANTS WITH LAND CLAIMS ON CLEARED LAND IN SOUTHEASTERN MEXICO. DRAWING ON HIS EXPERIENCE AS A JOHN DEERE REPRESENTATIVE, TOLEDO PLANS TO MAKE GREATER USE OF TRACTORS TO INCREASE PRODUCTIVITY. FINANCING FOR THE AGRARIAN SECTOR IS EXPECTED FROM FOREIGN AS WELL AS DOMESTIC SOURCES. CHASE MANHATTAN BANK EXTENDED THE GOM A 50 MILLION DOLLAR CREDIT FOR AGRICULTURAL INDUSTRIES, WHILE THE MEXICAN BANKERS ASSOCIATION ANNOUNCED ITS PLANS TO LEND 440 MILLION DOLLARS TO THE AGRARIAN SECTOR IN THE COMING YEAR. SKEPTICS DOUBT THAT SMALL AND MEDIUM SIZE PRODUCERS WILL BE ABLE TO QUALIFY FOR LOANS WITHOUT SPECIAL TREATMENT. COMMENT: WHILE FINANCING IS AVAILABLE AND TOLEDO CORRO APPEARS TO BE A COMPETENT AND POLITICALLY ASTUTE ADMINISTRATOR, BASIC ORGANIZATIONAL OBSTACLES IN THE AGRARIAN SECTOR FORECLOSE ANY EASY SOLUTIONS TO ONE OF MEXICO'S MOST SERIOUS PROBLEMS. END COMMENT.

12. MOST POLITICAL COMMENTARY DURING JUNE HAS CENTERED ON  
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THE APPARENT "DESTAPIEMENTO" OF CARLOS SAN SORES TO CONTINUE AS PRI PRESIDENT. FOLLOWING SEVERAL MEETINGS WITH THE LEADERS OF THE PRI SECTORS, SAN SORES MET WITH PRESIDENT LOPEZ PORTILLO AND APPARENTLY RECEIVED HIS BLESSINGS TO

CONTINUE IN HIS JOB. THIS INITIATED A BANDWAGON OF PUBLIC SUPPORT WHICH IS EXPECTED TO CULMINATE IN HIS FORMAL ELECTION AT THE PRI NATIONAL ASSEMBLY IN AUGUST. HOWEVER, SOME OF HIS WELL PLACED OPPONENTS WHO WANT A MORE DEMOCRATIC PRI, STILL HOPE FOR A DARK HORSE CANDIDATE AT THE NATIONAL ASSEMBLY. SANSORES, WHO WAS INITIALLY OPPOSED TO POLITICAL REFORM, SAID HE WILL NOT CONDONE THE CREATION OF POLITICAL ASSOCIATIONS BY PRI MEMBERS, THAT WILL ONLY SERVE TO WEAKEN PRI SOLIDARITY. HIS REMARK WAS DIRECTED AT THE LEANDRO VALLE (RETIRED MILITARY) AND UPAC (MASONIC BASED) WHICH HAVE ANNOUNCED PLANS TO FORM POLITICAL ASSOCIATIONS.

13. THE MINORITY PARTIES CONTINUE EFFORTS TO DEFINE THEMSELVES. THE PAN (NATIONAL ACTION) PROPOSES NOT TO PARTICIPATE IN THE JULY 79 ELECTIONS TO PROTEST THE INADEQUACIES OF THE POLITICAL REFORM, MORE LIKELY ITS OWN INADEQUACY, WHILE THE PDM (DEMOCRATIC PARTY) ABSORBS ITS BASE OF SUPPORT. THE PCM (COMMUNISTS) HAVE FORMED AN ELECTORAL COALITION WITH THE PRI (REVOLUTIONARY WORKERS) AND PPM (POPULAR MEXICAN PARTY) AFTER FAILING TO MOLD A COALITION OF ALL LEFTISTS PARTIES.

14. ON THE LABOR FRONT A ONE DAY INDUSTRY-WIDE STRIKE OF 36,000 TEXTILE WORKERS IN 300 PLANTS WAS SETTLED AT A GOM APPROVED TWELVE PERCENT WAGE INCREASE. IN AN INFORMAL INTERVIEW, FIDEL VELAZQUEZ SAID THE CTM FAVORS A SYSTEM THAT WOULD ADJUST WAGES SEVERAL TIMES A YEAR ACCORDING TO THE COST OF LIVING.

15. ON MAY 13 MEXICO CITY EXPERIENCED THE BURNING OF A LARGE HOTEL AND A DEPARTMENT STORE WHICH TOOK THE LIVES  
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OF TWELVE FIREMEN AND A NIGHT WATCHMAN. THE INVESTIGATION BY THE FEDERAL DISTRICT'S ATTORNEY GENERAL'S OFFICE REPORTED DAMAGES OF OVER 60 MILLION PESOS. THE INVESTIGATION REPORT, RELEASED A MONTH LATER, CITED CHEMICAL

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-02 INR-10  
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R 111533Z JUL 78  
FM AMEMBASSY MEXICO  
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DELAYED-REACTION FIRE BOMBS AS THE CAUSE OF THE BLAZES  
BUT FAILED TO IDENTIFY ANY SUSPECTS. SOME SOURCES BELIEVE  
THE UNION DEL PUEBLO WAS RESPONSIBLE FOR THE BURNINGS,  
BUT THEY HAVE NOT CLAIMED RESPONSIBILITY FOR THE ACT,  
POSSIBLY DUE TO THE LOSS OF LIVES INVOLVED. LUCEY

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## Message Attributes

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